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SIPDIS
SENSITIVE

STATE FOR H, NEA/RA AND NEA/MAG
NEW DELHI AND MUMBAI PLEASE PASS TO LYNCH DELEGATION

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11. (SBU) Summary: Representative Lynch, we warmly welcome you and your delegation to Morocco. The Kingdom of Morocco, one of our strongest allies in the Broader Middle East and North Africa (BMENA), is a country "on the move", in the throes, albeit unevenly, of change and reform. Morocco has undertaken recent steps to strengthen its abilities to combat terrorist financing and money laundering. Economic growth has averaged about five percent per year and investment, tourism and remittances have boomed in recent years, although the global financial crisis threatens these important sources of income. Slums are coming down, and according to official statistics, so is unemployment. Freedom of the press has expanded to a level not seen here ever before and beyond the rest of the region, but there are still some restrictions, and those who challenge them can suffer heavy fines, libel judgments and more rarely, jail. Political freedoms have grown as well, although they remain constrained by a system with roots going back hundreds of years. Neither the Parliament nor the 33 political parties with seats in it have much power. Most voters stayed away from the last parliamentary election, in 2007, which saw the first international observation ever, largely achieved and funded by the U.S. The Government recently agreed with political parties on reserving for female candidates approximately 3,000 seats (12 percent) of local council positions up for election in June, an effort we are supporting through candidate training. Additional reforms could lead to democracy, but, with stability a priority, it could take decades. Morocco's top priority in foreign relations is pursuing international support for its claims to Western Sahara. End Summary.

Money Laundering and Terrorist Financing

12. (SBU) In 2008, Morocco implemented elements of a comprehensive anti-money laundering (AML) bill passed in May 2007 that provides the legal basis for monitoring, investigating, and prosecuting illegal financial activities. The new law allows for freezing suspect accounts and permits the prosecution of terrorist finance related crimes. The law also calls for the establishment of a Financial Intelligence Unit (FIU), which is currently in the early stages of developing its structure and recruiting personnel. In fact, the formal announcement of its creation is tentatively

scheduled for April 10, the day of your visit. U.S. and EU technical assistance programs are already providing Moroccan police, customs, central bank, and other government financial officials with training to recognize money laundering methodologies, and the U.S. Department of the Treasury Office of Technical Assistance has recently sent a letter to the Government of Morocco (GOM) inviting proposals for further collaboration.

¶3. (SBU) Cash-based, informal transactions and remittances from abroad fuel Morocco's informal sector. The monetary authorities in Morocco are the Ministry of Economy and Finance and the central bank (Bank Al Maghreb), which monitors and regulates the banking system. A key aspect of the AML legislation is an increase in responsibility for all entities, both public and private, to report suspect fund transfers. Although it will likely take years for the AML legislation and FIU to have an appreciable effect toward curbing money laundering in Morocco, both are seen as positive developments.

¶4. (SBU) Morocco has a relatively effective system for disseminating U.S. Government and UN Security Council Resolution terrorist freeze lists to its financial sector and legal authorities. Morocco has provided timely reports requested by the UN Sanctions Committee and, as a result, has frozen some terrorist-related accounts. In January, Morocco co-hosted with the U.S. Treasury a Targeted Economic Sanctions Workshop for North African countries to promote the implementation of economic sanctions regimes and awareness of the UN 1267 sanctions processes. Morocco is a party to the UN International Convention for the Suppression of Financing of Terrorism, and the UN Convention against Transnational Organized Crime. Morocco is a charter member of the Middle

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East and North Africa Financial Action Task Force (MENAFATF) that was inaugurated in Bahrain in November 2004, which continues to push for regional transparency and regulatory reforms of the financial sector.

Economics, Trade and Assistance

¶5. (SBU) The economy is relatively healthy, although marred by disparities in wealth. Growth is expected to be above five percent this year, despite the global economic slowdown, thanks to anticipated bumper harvests. Moroccan authorities are concerned, however, about the risk of more serious impacts on important export, tourism, and remittance earnings if the global recession continues. Since implementation of the U.S.-Morocco Free Trade Agreement (FTA) on January 1, 2006, bilateral commerce has more than doubled. U.S. firms are increasing their investment in Morocco, seeing new markets develop as a result of the FTA. USAID, the Department of Commerce's Commercial Law Development Program and the U.S. Trade and Development Agency (USTDA) conduct technical assistance projects to assist Morocco to create an open trading environment and fully develop its potential. However, significant export growth to U.S. and other markets will also depend on Morocco's ability to capture a larger share of "value added" in its export products. Targeted assistance programs from USAID, USTDA and the Middle East Partnership Initiative (MEPI) aim at improving Morocco's ability to produce and market its exports in key sectors.

¶6. (SBU) We are focusing our bilateral assistance to Morocco on youth and women, targeting four priorities: economic growth, counterterrorism, democracy and governance, and supporting quality education. U.S. assistance includes projects under the Millennium Challenge Account (MCA), USAID and MPI. In 2007, the U.S. and Morocco signed a five-year, USD 697.5 million MCA Compact to reduce poverty and increase economic growth. The five-year clock started ticking on September 15, 2008, with the Entry into Force of the Compact.

The MCA will support five major projects selected for their potential to increase productivity and improve employment in high potential sectors of Morocco's economy: Fruit Tree Productivity, Small Scale Fisheries, Crafts, Financial Services, and Enterprise Support.

17. (SBU) In October, Morocco signed an Advanced Status Agreement with the European Union, which could give Morocco complete free market access to the European Economic Area when finally implemented. It also provides for greater coordination on other issues. Morocco also participates in French President Sarkozy's nascent Mediterranean Union.

Governance and Human Rights

18. (SBU) Prime Minister Abdeslam Fassi's government, formed after the September 2007 legislative elections, is built on a minority parliamentary coalition. The government, filled with young technocrats from within and outside El Fassi's Istiqlal (Independence) party, has performed better than many expected, and looks capable of a full term despite its minority status. Internal democracy is growing within political parties. A political formation founded by Fouad Ali El Himma, an intimate of the King, has evolved into a new Party of Authenticity and Modernity (PAM) by grouping together several smaller parties. It has now constituted the largest political bloc in Parliament and could lead should the current coalition falter. We currently see no prospect for a significant shift in Morocco's foreign and security policies. However, neither Parliament nor the Prime Minister has much say in these issues, which are managed by the Throne directly with concerned ministries.

19. (SBU) Morocco's political parties and the bicameral parliament are weak and structurally hamstrung from taking legislative initiatives or strongly articulating dissent. The Parliament provides no effective check on the monarchy or government. Changing the Constitution would be necessary to change the power imbalance and institute formal democracy, but both Parliament and parties will likely have to improve

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their capacity and performance first. Nonetheless, both parties and Parliament have made some technical improvements, largely thanks to U.S.-funded programs from the National Democratic Institute (NDI) and the State University of New York (SUNY), which have modestly improved the body's administrative capacity. These include establishment of a budget analysis office, a verbatim transcription service, and a consistent forum for training and debate among parliamentary members and staff.

110. (SBU) Although the September 2007 parliamentary elections were the most transparent in the country's history, record low participation, i.e., 37 percent of registered voters, reflects the lack of voter confidence in the institution. MEPI financed NDI to run the first ever international voting observation. In January, the Government of Morocco reached an agreement with political parties to reserve 12 percent of the seats in June's local and municipal council elections, approximately 3,000 elected positions, for female candidates. The Mission is supporting a MEPI-funded joint NDI and International Republican Institute (IRI) project to train women to effectively run for office to take advantage of the opportunity.

111. (SBU) King Mohammed VI has embarked on an ambitious and continuous program of human rights reforms that includes the Arab world's first truth commission, a revised family code and growing governmental transparency and accountability. Last year some incidents of concern related to freedoms of expression and press occurred. Although Morocco is a leader of reform in the region, the reforms are still not deeply rooted in law or the Constitution and could be rolled back.

Continued support and encouragement from partners like the United States and Europe are essential.

¶12. (SBU) The Moroccan Constitution provides for the freedom to practice one's religion, although Islam is the official state religion. The Government of Morocco prohibits the distribution of non-Muslim religious materials, and bans all non-Sunni Islamic proselytizing, but tolerates several small religious minorities. It also occasionally restricts Islamic organizations whose activities have exceeded the bounds of "acceptable religious practice" and become political in nature. Morocco is protective of the tiny remnant of its once substantial Jewish minority.

Counterterrorism and Counter-Narcotics Programs

¶13. (SBU) Because of its increasingly tourism-dependent economy, Morocco remains economically vulnerable to the effects of terrorism. The Government of Morocco's implementation of a comprehensive counterterrorism strategy emphasizing vigilant security measures, counter-radicalization policies, and robust international cooperation has been largely successful in containing the threat to date. The threat emanates especially from small grassroots radical Islamic cells, which have shown some capacity to cause attacks, but there have been no successful suicide bombings since the ones outside the U.S. Consulate General and the private American Language Center in Casablanca in April 2007. During 2008, the security forces dismantled six terrorist and foreign fighter cells and began prosecutions of 100 suspected terrorists.

¶14. (SBU) Under the King, who as "Commander of the Faithful" leads Moroccan Muslims and Jews, Morocco has standardized religious doctrine, consolidated control over religious schools, and sent specially trained imams to Europe to preach moderate messages to the Moroccan diaspora. The vast majority of Morocco's population rejects Salafist and Wahhabist approaches to Islam and does not support terrorist groups.

¶15. (SBU) The Government of Morocco has achieved significant reductions in cannabis and cannabis resin production in recent years, although it remains Europe's primary supplier. Little, if any, is exported to the U.S.

Military Modernization and Peacekeeping

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¶16. (SBU) The Moroccan Royal Armed Forces are modernizing but remain burdened by corruption, inefficient bureaucracy, and political marginalization. The U.S. enjoys a robust military relationship, as evidenced by increased U.S.-Moroccan military training exercises and Morocco's purchase of sophisticated weapons from the U.S., to include 24 F-16s (a counter to an earlier Algerian purchase of advanced aircraft from Russia), 24 T-6 trainer aircraft and up to 200 M1A1 Abrams tanks. These purchases point to a likely future reform of military doctrine, along with greater prospects for positive engagement with the U.S.

¶17. (SBU) The Government of Morocco has robust experience in the realm of peacekeeping operations dating back to the 1960s. It has signed on to Operation Active Endeavor and is contributing to peacekeeping operations in Kosovo, under NATO leadership. Morocco also partnered with NATO in peacekeeping operations in Bosnia and with the United Nations in Angola, Cambodia, Haiti and Somalia. Current UN deployments are in the Democratic Republic of the Congo and Cote d'Ivoire. The Government of Morocco has expressed interest in expanding its peacekeeping capacity.

Algeria and Western Sahara

¶18. (SBU) The Moroccan relationship with Algeria is difficult, and the border between the two countries was closed by Algeria in 1994 and remains closed. While the King and other government officials have publicly proposed opening the border and upgrading bilateral relations between the two countries, their entreaties have been repeatedly rebuffed. The Government of Algeria has linked progress on the border to "all issues," particularly the Western Sahara.

¶19. (SBU) Moroccan foreign policy is dominated by defending and seeking international recognition of its sovereignty claims over Western Sahara. The issue remains the most visible source of tension with Algeria, which has historically supported the Polisario's quest for independence by way of a UN-sponsored referendum. The issue led Morocco to leave the African Union and has been an obstacle to regional integration through the Arab Maghreb Union. In April 2007, Morocco proposed a new autonomy plan for Western Sahara, and a series of UN-sponsored negotiations with the Polisario began in Manhasset, New York. The Moroccan proposal, deemed "serious and credible" by the U.S., would provide Sahrawis, the indigenous people of Western Sahara, autonomy in administering local affairs while respecting Moroccan sovereignty over the territory. There have been four rounds of talks but none since March 2008. After the April 2008 renewal of the mandate of the UN peacekeeping mission, the U.S. announced it considered independence for the territory "not realistic." Following the controversial lapsing of the contract of the former UN Secretary General's Personal Envoy, the UN selected retired U.S. Ambassador Chris Ross to be the new Personal Envoy.

¶20. (SBU) Western Sahara experienced gross violations of human rights from 1975 until the end of King Hassan II's regime in 1999, and repression intensified after the short-lived Sahrawi "intifada" of 2005. Since late 2006, Morocco has slowly improved the human rights situation in the territories. Arbitrary arrests have sharply diminished, and physical abuse by security forces had all but disappeared until early 2009. Even dissenters now can travel freely. They cannot, however, publish or speak publicly in support of independence, or a vote on self-determination. In 2008, some known abusers were transferred, further easing the situation.

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